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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 003796

SIPDIS

STATE PASS AIT/W

E.O. 12958: DECL: 10/10/2013

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SUBJECT: NSC SEC GEN CHIOU ON CROSS-STRAIT/U.S.-TAIWAN
RELATIONS

Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

11. (C) Summary: National Security Council (NSC) Secretary General Chiou I-jen acknowledged continued USG concerns over where President Chen Shui-bian is leading Taiwan, but asserted that Chen knows that a move towards de jure independence would mean war. Chiou said that Taiwan will continue to seek channels to convey Taipei's intentions to Beijing and asked Washington to help facilitate contacts. Chiou expressed optimism over passage of the USD 18 billion special procurement budget in the lame duck Legislative Yuan (LY) session that will open after the December 11 election. Chiou was upbeat over Pan-Green chances in the December 11 election, estimating that the government will be able to exert working control over the LY with the help of 3-5 non-partisans even if it does not secure an outright majority on its own. End Summary.

Chiou Says CSB Knows His Limits

12. (C) During a November 25 dinner with the AIT Deputy Director, NSC Secretary General Chiou I-jen acknowledged that rhetoric used during the 2004 presidential election campaign has left many in Washington worried about President Chen's second term intentions. Chiou said that President Chen is equally cognizant of this fact and is trying to rebuild the trust that was lost during the election period. Chiou asserted that the USG "should not worry" that Chen will lead Taiwan towards independence in his second term because the president is fully aware that Beijing and the international community would not permit it. "If there was no PRC military threat, the president, myself, and everyone else in the Democratic Progressive Party (DPP) would prefer that Taiwan was independent," Chiou asserted, "but we are not blind to reality." Chiou dismissed speculation that Chen seeks a declaration of Taiwan independence as his historical legacy. "Why would someone decide to make something that is impossible to achieve his overriding political goal?" Chiou asked rhetorically.

13. (C) Chiou acknowledged that there were elements within the president's base who were less realistic about Taiwan's constraints. However, he noted that these voices were almost all from the older generation. "If you talk to the up-and-coming generation in the DPP, you will not hear the sorts of things advocated by people like the vice president," he added. Chiou pledged to keep an eye on actions by the government that may impact on cross-strait stability. As an example, Chiou said he previewed the Executive Yuan's (EY) recently introduced revisions to the opposition-passed Referendum Law to ensure that they did not lower the bar to initiate referenda on constitutional-related subjects. (Comment: Chiou acknowledged, however, that he had not considered whether the revisions would make it easier to initiate a referendum on sensitive subjects like "one country, two systems" that were not necessarily related to constitutional reform. Nor did he address a possibility raised with AIT by KMT Taipei Mayor Ma Ying-jeou, that non-binding "consultative" referenda on sensitive subjects could be used to cow the LY opposition into passing constitutional amendments they would otherwise oppose, Septel.)

Reality as Beijing Sees It

14. (C) Chiou said he fully shares USG concerns over Beijing's increasingly alarmist views of developments in Taiwan, and stated that this is the reason Taipei is so eager to establish some sort of a dialogue channel with the PRC. "We may think they are worried about 10 issues when it turns out they are focused on 100," he stated, "the only way we will be able to clarify their concerns is by talking to them as we do with the U.S. and other countries." Chiou noted that recent PRC public statements indicate that Beijing is unwilling to show flexibility on the "one China" precondition for formal talks. If this is the case, he continued, Chiou suggested that the two sides open a private channel "where face will not be an issue." Chiou appealed to Washington to help facilitate such a channel.

Special Procurement Budget: Cautious Optimism

15. (C) Turning to bilateral issues, Chiou expressed optimism that the USD 18 billion special defense procurement budget would pass in the December-January lame duck LY session. Chiou said he expected Lien Chan and other Pan-Blue leaders to oppose the budget out of spite for their losses in the presidential and LY elections. However, Chiou asserted that the DPP would exploit anticipated splits within the KMT over leadership secession to assemble a majority. "KMT reformists are likely to embrace the special budget as one of the issues to push Lien and his cadre out of power," Chiou stated. Chiou assessed that KMT LY President Wang Jin-pyng would try to use cooperation over the special budget as a bargaining chip with the DPP to secure his own political future. Chiou said the DPP would accommodate Wang to some extent, but not as far as allowing him to keep his speakership in the next LY. Chiou predicted that, in the end, Wang would facilitate passage in order to curry favor with KMT reformists as part of his own bid for the KMT chairmanship.

Domestic Politics: Pan-Green Majority Within Reach

16. (C) Chiou said that the DPP's LY campaign is generally on track, but said the Pan-Green is not yet confident enough to predict an outright Pan-Green majority. Chiou offered that the DPP currently projects that it will win 96 seats, with the Taiwan Solidarity Union (TSU) picking up an additional 14, for a total of 110 (out of 225). Chiou estimated that the DPP could gain an additional three seats if it dropped one candidate each from its lists in Taipei County Second District, Taipei City North, and Taoyuan County. However, he said no decision on shifting resources away from struggling candidates would be made until December 1. Chiou asserted, however, that even if the Pan-Green falls short of the 113 needed for a majority, the DPP can assemble a working LY majority with the help of 3-5 friendly non-partisans (Septel). Chiou added that the DPP will certainly appoint a non-partisan as LY Vice President, most likely fourth-term aboriginal legislator Walis Pelin, to solidify its control over the body.

Comment: Is Chiou for Real?

17. (C) To us Chiou clearly portrays his role in the Chen administration as the voice of moderation, informing the political leaders of the international and cross-Strait implications of their words and actions and balancing against the influence of the DPP's pro-independence wing. However, Chiou is actively involved in DPP political strategy, even in his current foreign policy position. It is unlikely that Chiou has been as surprised as he claims to be by some of the more provocative themes the president has floated in recent weeks. Chen's focus on sovereignty themes on the campaign trail was not an aberration, it was a core element of the DPP's plan to stimulate its core support base. As with the last election, Chen and his senior advisors appear to have mapped out a strategy that would use "goodwill" gestures such as the October 10 speech and November 10 "10 Points" initiatives to distract international attention from more provocative elements of the DPP's campaign platform. Chiou is among the most respected campaign strategists in the DPP camp and thus quite likely a key player in this two-handed strategy.
PAAL